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Highlights

Key findings of this study of the Fortune 1000 companies.

- In addition to financial results, strategic planning and top management performance/compensation rank as top concerns of boards currently.
- Thirty-five percent of the companies have an objective, quantitative means of evaluating the CEO.
- The average board comprises 13.8 members.
- Independent directors represent 62.6 percent of board membership.
- Nearly 95 of every 100 directors are white males.
- Three of ten directors attending all full board meetings now receive $21,000 or more annually, exclusive of committee service.
- Nearly seven out of ten companies permit outside directors to defer compensation for board service.
- Only one in ten organizations compensates management directors for board service.
- More than seven out of ten organizations have a retirement policy for outside directors.
- Two-thirds of the chairmen believe outside directors should be required to own stock in board companies.

Review and Forecast

by Eugene Jennings, Ph.D.

Heidrick and Struggles commissioned Dr. Eugene Jennings to prepare this introduction to our study. Dr. Jennings, a professor of management in the graduate school of business administration at Michigan State University, is an author, lecturer, and confidential advisor to chairmen and presidents of leading corporations.

It Seems Quiet Out There

"When it is quiet out there, the enemy is about to attack," is an old saying that may have relevance today. We forecasted last year that boards would settle down and institutionalize the changes in corporate governance wrought by the needs of the Seventies. This issue of *The Changing Board* confirms that the ripples are engulfing more boards.

It is not what boards have done that attracts our attention, but what they have not done. To be sure, what they have changed must not be overlooked. Boards have reduced their size and increased their productivity. They have assigned themselves more work—committee duties and special project assignments—while they have increased the number of board meetings. With a new sense of priority they have installed policies governing strategical planning to better guide future performance. They are more concerned about where the company is going than where it is or has been. In short, they have aggressively asserted their powers over management as never before.

What boards have not done is address themselves to what could be an inequity that is quietly receiving more attention in boardrooms. For all of this increase in productivity and responsibility, boards have not granted themselves corresponding increases in compensation and benefits. Since 1976 the average compensation for board meetings has risen from $8,000 to $17,000, roughly a twofold increase. While boards have increased the salaries of officers, particularly chiefs, almost threefold, they have granted bonuses, stock options, deferred compensation, golden parachute employment contracts, and personal perquisites to management that make director benefits look puny by comparison. There is probably no group in the business system representing a greater value than directors.

Boards are an authority unto themselves. The only legal check upon them is the shareholders, but how many times have shareholders voted out the whole board at the annual meeting? What would happen if boards voted themselves a hundred thousand dollar annual compensation, or bonuses geared to corporate performance as lucrative as those granted officers? Almost a fourth of the boards of the largest industrials and 8 percent of all companies have a director with compensation of more than $40,000. My experience is that some directors make twice that much or more.

There is a view that holds if directors make too much money they will lose their objectivity and independence. The job of directors is to use their best judgment to protect and enhance the interests of shareholders. Because fiduciary policy says nothing of objectivity and independence, directors are allowed to be shareholders or to be employees or both. As to directors becoming beholden to management, the potential is there already. To the cynic, the *quid pro quo* is that directors vote management hefty compensation packages and in return are assured tenure up to retirement. Still directors are expected to use best judgment, and probably do.

A major reason for directors to keep modest their claims on the corporation is that they still labor under the ethic that directors do not do that much to affect profits. Perhaps this was true in the Sixties when boards met four times a year and nodded approval with seldom a "nay." But now the decisions that boards make about strategies, budgets, capitalization, debts, management selection and removal have direct consequences for corporate performance.

We forecast that it will only be a matter of time until directors become aware of the lag between their new responsibilities and status and their benefits. Meanwhile, it seems to be quiet out there!

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Price: $20

About This Study

Heidrick and Struggles conducted this ninth survey of boards of directors in late 1983. As always, organizations on the *Fortune* list received the questionnaire. In recent years, these listings had been the 1000 largest industrial companies and the 350 leading non-industrial firms. On this occasion, the new *Fortune* list comprised 1000 organizations: the 500 largest industrials and the 500 premier non-industrials.

A response rate of 39.3 percent was reached with one mailing. Results are reported by type of business and, in addition, by size of industrial company. When appropriate, current findings are compared with earlier studies.

Heidrick and Struggles is extremely grateful to the board chairmen who took time from their important responsibilities to make these findings available to the business community.

Chairman as Chief Executive Officer

The chairman also serves as chief executive officer in more than four out of five companies. The dual responsibility is most prevalent among industrial companies with sales of $2 billion or more, and among firms based in the Southwest.

Chairman's Role in Management	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
CEO	82.6%	81.4%	87.5%	77.6%	77.8%	84.0%
Not CEO, active in company management	13.5	15.0	12.5	12.2	19.4	11.7
Not active in company management	3.9	3.6	—	10.2	2.8	4.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Size of Board

Board size continues relatively unchanged from prior surveys, with non-industrials averaging roughly three more directors than industrial firms. Among industrials, board size increases with sales volume. Boards including other than white males average 15.5 members, in contrast to 12.2 members on homogeneous boards.

Number of Directors	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
5-9	12.0%	13.4%	4.2%	6.0%	27.8%	10.3%
10-14	52.4	64.4	50.0	82.0	66.7	38.2
15-19	25.6	18.6	36.1	12.0	5.5	33.9
20 or more	10.0	3.6	9.7	—	—	17.6
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	13.8	12.6	14.5	12.2	10.9	15.3

Number of Board Meetings in 1984

The frequency of board meetings is increasing. The average number of conclaves slated for 1984 is 8, up from 7.5 a year ago. Meeting frequency continues to correlate with size of industrial company. Boards with a majority of independent directors meet more often than those with a preponderance of other-than-independent members. Boards headed by a chairman who agrees that board influence on corporate governance should increase get together more often than those whose chairmen think otherwise.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
1-4	12.9%	8.8%	1.4%	6.0%	18.0%	17.8%
5-9	49.6	50.0	41.7	54.0	55.6	49.1
10-14	37.0	41.2	56.9	40.0	26.4	31.9
15 or more	0.5	—	—	—	—	1.2
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	8.0	8.15	9.4	8.0	7.1	7.9

Composition of Board

Independent outside directors continue to enhance their already dominant position on boards. The proportion of independents now stands at 63 percent, up from 54 percent in 1980. The largest industrials still average a higher percentage of independent directors, as do the non-industrials.

The proportion of independent directors is higher among the boards with other than white male members, and where the chairman agrees that board influence on corporate governance should increase.

Type of Director	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Independent	62.6%	57.8%	61.2%	56.7%	54.0%	67.2%
Management	25.3	28.1	27.4	27.5	29.5	22.7
Affiliated Non-management	12.1	14.1	11.4	15.8	16.5	10.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Director Population By Race and Sex

Nearly 95 out of every 100 directors are white males. The proportion of white males is smaller among larger industrials and among Eastern-based companies. The percentage of organizations reporting all white male directors continues to decline, from 57.6 percent last year to 51.3 percent now. Homogeneous boards are more prevalent among industrials and among Southwest-based firms.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
White Males	94.4%	94.7%	92.1%	95.4%	97.7%	94.0%
White Females	3.6	3.2	4.5	2.6	1.9	4.0
Black Males	1.3	1.1	1.9	0.7	0.4	1.4
Black Females	0.4	0.6	1.2	0.3	—	0.3
Other	0.3	0.4	0.3	1.0	—	0.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Number of Board Committees

The typical major American company now has nearly five board committees, with the most extensive committee structure being found among the premier industrials. Firms with a majority of independent directors report a greater incidence of committees, as do those organizations whose chairmen agree that board influence on corporate governance should increase.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Fewer than 3	4.2%	3.1%	1.4%	2.0%	5.6%	5.5%
3-5	70.3	69.3	63.9	69.5	74.7	71.5
6-8	23.8	27.1	34.7	26.5	19.7	20.0
9 or more	1.7	0.5	—	2.0	—	3.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	4.7	4.7	5.1	4.6	4.2	4.7

Prevalence of Board Committees

Among committees studied over the years, only the Stock Options Committee is found less often today than formerly. Stock option considerations undoubtedly are more often deliberated now by members of Compensation Committees. Except for the Executive Committee, independent directors continue to dominate committee chairmanships.

	Proportion of All Companies With Committee			*Independent Directors as Proportion of All Chairmen*	
	1983	1976	1971	1983	1981
Audit	99.7%	93.0%	42.3%	93.9%	90.4%
Compensation/Personnel	97.2	85.0	74.1	86.9	81.5
Executive	85.0	79.9	81.2	11.4	12.8
Nominating	63.9	9.2	—	77.6	67.8
Finance	43.8	33.5	28.1	54.7	47.4
Pension/Retirement	31.8	25.3	28.8	74.0	57.2
Stock Options	16.1	43.5	56.4	81.6	70.5
Science/Technology	3.4	NA	NA	77.8	NA

Results do not add to 100% due to multiple responses

Committee Membership Restrictions

The vast majority of *Fortune* companies limit the membership of the Audit, Compensation and Nominating Committees. A majority limit Audit to independent directors, and Compensation to outsiders, both independent and affiliated non-management. Most of the organizations with a Nominating Committee specify outsiders only as members.

Audit	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Outside directors—independent only	53.6%	51.1%	46.4%	52.2%	55.2%	56.8%
Outside directors—both independent and affiliated non-management	34.0	38.5	46.4	41.3	28.4	28.3
Majority of outside directors—both independent and affiliated non-management	1.5	1.6	1.4	2.2	1.5	1.4
Majority of outside directors—independent only	1.5	1.1	1.4	—	1.5	2.0
No limitation	9.4	7.7	4.4	4.3	13.4	11.5
No such committee	—	—	—	—	—	—
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Compensation/Personnel	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Outside directors—both independent and affiliated non-management	34.0%	40.0%	43.7%	43.2%	33.9%	26.7%
Outside directors—independent only	38.5	34.7	35.9	36.4	32.3	43.0
Majority of outside directors—both independent and affiliated non-management	3.5	5.3	4.7	6.8	4.8	1.4
Majority of outside directors—independent only	6.1	4.1	1.6	4.5	6.5	8.5
No limitation	14.7	13.5	14.1	6.8	17.7	16.2
No such committee	3.2	2.4	—	2.3	4.8	4.2
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Nominating	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Outside directors—both independent and affiliated non-management	12.9%	13.1%	16.7%	15.2%	7.8%	12.7%
Outside directors—independent only	13.5	13.1	16.7	15.2	7.8	14.0
Majority of outside directors—both independent and affiliated non-management	9.8	9.6	9.1	10.9	9.4	10.0
Majority of outside directors—independent only	9.8	7.4	7.5	6.5	7.8	12.7
No limitation	17.2	21.0	24.2	15.2	21.9	12.6
No such committee	36.8	35.8	25.8	37.0	45.3	38.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Advisory/Adjunct Boards

Twelve percent of the responding organizations have advisory or adjunct boards which counsel top management. Such boards are more in evidence at the largest industrial firms and at the non-industrials. The average number of advisory/adjunct boards is 2.55.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Yes	12.0%	9.3%	13.9%	10.2%	4.2%	15.2%
No	87.2	89.7	86.1	87.8	94.4	84.2
Not yet	0.8	1.0	—	2.0	1.4	0.6
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Management Director Compensation For Board Service

About one in ten organizations compensates management directors (officers of the corporation) for board service. The practice is most common among the smallest industrials and non-industrial companies. Among firms paying management directors, half spend less than $8,000, 21 percent [illegible] between $8,000 and $11,999, and the remainder (29 percent) pay $12,000 or more. On average, the largest compensation is found at the smallest industrials.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Yes	10.6%	8.8%	1.4%	8.0%	16.7%	12.7%
No	89.4	91.2	98.6	92.0	83.3	87.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Basis of Outside Director Compensation

More than six out of ten major organizations pay outside directors per meeting fees for both full board and committee get-togethers, in addition to an annual retainer for board service. Another third pay these sums and an annual retainer for committee service, as well. No other form of compensation compares in importance with the leading methods.

In Addition to Annual Retainer for Board Service	*All Companies*	*All Industrials*	*All Non-Industrials*	*Board Majority* Independent	Not Independent
Per meeting fees for both full board and committees	60.2%	56.5%	64.5%	63.7%	50.7%
Retainer for committee service and per meeting fees for both full board and committees	32.5	34.4	30.3	31.0	34.3
Retainer for committee service and per meeting fees for committees	2.4	2.3	2.6	1.3	6.0
Retainer for committee service and per meeting fee for full board meetings	2.1	3.4	0.6	1.3	6.0
Per meeting fee for full board meetings	2.8	3.4	2.0	2.7	3.0
	100.0%	100.0%	100.0%	100.0%	100.0%

Annual Compensation of Outside Directors Attending All Full Board Meetings

Total cash compensation to outside directors continues its steady climb. Survey respondents in many cases (45.8 percent) are paying more now than a year earlier, although 52.8 percent indicate payment is unchanged and 1.4 percent are paying less. The average increase is reported as 16.33 percent.

Excluding any pay for committee service, the average *Fortune* firm now pays outsiders $17,262 annually. The compensation provided by three out of ten of the organizations stands at $21,000 or more. More than four out of ten of the premier industrials pay at least $24,000. The average industrial pay of $18,783 surpasses the $15,510 chalked up by the non-industrial group.

	All Companies			*All Industrials*	*Industrials by Size*			*All Non-Industrials*
	1983	1980	1978		$2 bil or more	$1-1.9 bil	$999 mm or less	
Less than $9,000	8.1%	22.5%	41.1%	4.2%	1.4%	—	10.0%	12.7%
$9,000-$11,999	10.7	25.4	20.5	6.8	—	4.0%	15.7	15.2
$12,000-$14,999	16.3	20.2	17.8	13.7	4.2	14.3	22.9	19.4
$15,000-$17,999	17.5	11.8	12.9	21.1	9.9	18.4	34.3	13.3
$18,000-$20,999	17.5	13.7		15.8	14.1	30.6	7.1	19.4
$21,000-$23,999	14.4	4.1	7.7	16.3	29.6	14.3	4.3	12.1
$24,000 and more	15.5	2.3		22.1	40.8	18.4	5.7	7.9
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	$17,262	NA	NA	$18,783	$22,832	$19,132	$14,431	$15,510

Compensation of Most Highly Paid Independent Outside Director

The average 1983 compensation awarded to the most highly paid outside director of a *Fortune* firm for all board activities stood at $23,671.

However, the typical pay ranged widely, from the $32,606 mean of the largest industrials to the $17,720 of the smallest industrials.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Less than $15,000	15.3%	11.6%	—	6.6%	25.7%	19.6%
$15,000-$19,999	22.1	22.0	7.5%	17.8	38.5	22.2
$20,000-$24,999	24.4	22.5	10.4	31.1	28.6	26.6
$25,000-$29,999	14.4	15.4	20.9	26.7	2.9	13.3
$30,000-$34,999	10.3	12.1	23.9	6.7	4.3	8.2
$35,000-$39,999	5.6	7.1	13.4	8.9	—	3.8
$40,000 or more	7.9	9.3	23.9	2.2	—	6.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	$23,671	$24,818	$32,606	$24,264	$17,720	$22,351

Average Compensation For Committee Service

Average compensation for committee service is higher for industrials than non-industrials and increases with company size. Among selected committees, the highest pay is accorded chairmen and members of Audit, followed by Compensation/Personnel.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Audit						
Chairman						
Retainer	$1,738	$1,952	$2,485	$2,779	$655	$1,511
Meeting Fee	557	573	616	571	530	541
Member						
Retainer	637	744	893	873	494	524
Meeting Fee	527	547	600	505	520	504
Compensation/Personnel						
Chairman						
Retainer	1,283	1,555	2,329	1,524	552	983
Meeting Fee	531	549	592	513	527	512
Member						
Retainer	564	741	875	842	514	372
Meeting Fee	512	537	578	490	524	485
Executive						
Chairman						
Retainer	$ 794	$ 772	$1,096	$ 962	$ 189	$ 816
Meeting Fee	346	391	351	405	425	299
Member						
Retainer	585	644	702	329	827	522
Meeting Fee	482	499	546	465	471	465
Nominating						
Chairman						
Retainer	784	772	1,443	350	172	798
Meeting Fee	495	532	571	476	531	451
Member						
Retainer	457	546	827	67	600	359
Meeting Fee	483	515	558	427	536	447

Deferred Compensation For Outside Directors

Outside directors at nearly seven out of ten major companies may defer board compensation, usually until retirement from the board. Deferment is most prevalent at the giant industrials and least frequently found at the smallest industrials.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Yes	68.2%	72.7%	81.9%	78.0%	59.7%	63.0%
No	26.2	23.2	16.7	18.0	33.3	29.7
Not yet	5.6	4.1	1.4	4.0	7.0	7.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Perquisites For Outside Directors

Virtually all directors are covered by company provided D&O liability insurance. The only other perquisites offered by a majority of companies overall are a travel allowance and matching gifts.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Travel allowance	51.3	54.5	61.1	42.9	55.7	47.5
Matching gifts	50.1	59.7	70.8	63.3	45.7	38.9
Travel insurance	44.5	54.5	61.1	42.9	55.7	47.5
Accident insurance	28.0	31.4	36.1	28.6	28.6	24.1
Life insurance	25.2	30.4	34.7	26.5	28.6	19.1
Product/service discount	11.6	12.0	13.9	10.2	11.4	11.1
Medical insurance	10.5	11.5	13.9	14.3	7.1	9.3
Other	4.8	4.2	8.3	2.0	1.4	5.5

Results do not add to 100% due to multiple responses

Retirement Policy For Outside Directors

The representation of companies with a retirement policy for outside directors continues to climb. In the vast majority of cases, the basis is age alone. Of those using age, six of ten organizations specify 70; another 31 percent dictate departure at age 72. The basis for retirement utilized by 13 percent of the *Fortune* firms is age plus retirement from principal occupation, with a very few organizations retiring their directors solely on the basis of their ending their careers.

	All Companies		*All Industrials*	*Industrials by Size*			*All Non-Industrials*
	1983	1981		$2 bil or more	$1-1.9 bil	$999 mm or less	
Yes	71.0%	61.9%	67.5%	72.2%	68.0%	62.5%	75.2%
No	26.8	35.8	29.4	26.4	30.0	31.9	23.6
Not Yet	2.2	2.3	3.1	1.4	2.0	5.6	1.2
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Retirement Income For Outside Directors

Only about one in five organizations provides retirement income for outside directors, although the incidence has risen to 27.1 percent among midsize industrials. In virtually all cases, the basis of payment is length of board service.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Yes	18.9%	21.6%	25.4%	27.1%	14.1%	16.0%
No	78.8	75.8	73.2	70.8	81.7	82.2
Not Yet	2.3	2.6	1.4	2.1	4.2	1.8
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Chairman's Expectation of Outside Directors' Time Commitment

Overall, chairmen expect outside directors to spend an average of slightly more than two weeks annually on full board matters. Industrials look for a greater time involvement than do non-industrials. The larger the industrial, the more time directors are expected to devote to board concerns. Ten percent of the *Fortune* firms report that outside directors are currently assigned to one or more special projects exclusive of regular board responsibilities.

Days per year	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Fewer than 10	22.6%	17.2%	9.2%	17.0%	25.0%	28.9%
10-14	38.1	34.5	24.6	42.5	38.2	42.3
15-19	19.6	24.5	29.3	21.3	22.1	14.1
20-29	15.5	19.4	32.3	14.9	10.3	10.9
30 or more	4.2	4.4	4.6	4.3	4.4	3.8
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	14.03	15.00	17.12	14.00	13.66	12.90

Objective, Quantitative Means of Evaluating the CEO

The proportion of major organizations utilizing an objective, quantitative means of evaluating the CEO maintains its steady rise. The overwhelming majority of companies utilized annual plus long-range corporate objectives as the measuring stick.

	All Companies			*All Industrials*	*All Non-Industrials*	*Board Majority*	
	1983	1982	1981			Independent	Non-Independent
Yes	35.0%	27.1%	24.3%	31.6%	38.8%	38.7%	30.0%
No	55.5	64.2	60.5	58.8	51.9	54.2	58.6
Not Yet	9.5	8.7	15.2	9.6	9.3	7.1	11.4
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Current Concerns of the Board

The scores shown represent the mean ranking of each concern by participating chairmen; a score of 6.00 would indicate the concern typically ranked sixth among the concerns considered. The lower the score, the higher the average ranking of the concern.

	All Companies	*All Industrials*	*All Non-Industrials*
Strategic Planning	1.72	1.79	1.65
Top Management Performance/Compensation	3.08	2.93	3.27
Succession Planning	3.22	2.99	3.48
Productivity Improvement	3.91	4.25	3.57
Monitorship of Corporate Integrity	4.29	4.13	4.47
Acquisition Plans	4.44	4.57	4.30
Quality of Employee Work Life	6.18	6.25	6.11
Takeover Defenses	6.65	6.49	6.85

Views of Chairmen

	Agree	*Disagree*	*Undecided*
Outside directors should be required to own stock in their board companies	66.5%	28.9	4.6
Boards should not erode their independence by providing golden parachutes to top management	52.3%	32.1	15.6
The influence of boards on corporate governance should increase	48.7%	38.0	13.3
America's largest publicly held companies should be required by law to have a majority of outside directors	41.8%	53.0	5.2
Director tenure should be shortened to meet the changing needs of organizations	14.8%	69.0	16.2
Director compensation should be tied to company profitability	8.6%	85.6	5.8
Boards should have more directors with non-business backgrounds	3.4%	92.0	4.6

About Heidrick and Struggles

As one of the most broadly experienced and highly regarded firms dedicated exclusively to executive and director search, Heidrick and Struggles provides access to leading executive markets in North America and Europe.

Senior partners of the firm are called upon for counsel and professional assistance in the critical task of identification and selection of corporate directors. The search for outside directors capable of stimulating management thinking and aiding the chief executive in decision-making is multi-faceted. Board composition must be analyzed; research conducted to pinpoint appropriate individuals; and prime prospects interviewed face-to-face to determine their suitability. While the final decision rests with the client organization, use of a search consultant preserves anonymity until disclosure of company identity appears desirable.

Heidrick and Struggles is pleased to add this publication to others published by the firm to report trends of significance to directors and senior management.

Publications

The firm's original research on trends in management which has been conducted since 1962 is shared with the business community at large.

The Changing Board (1984) $20
A survey of chairmen concerning boards of directors

Director Data (1982) $10
A report on outside directors and their board committees

Mobile Manager (1982) $5

Research and Development (1982) $10

A list of recent Heidrick and Struggles publications appears here. Copies are available upon request to our Chicago office.

Profile of a Chief Financial Officer (1981)

Profile of a Chief International Officer (1981)

Profile of a Bank and Bank Holding Company Chief Executive Officer (1980)

Profile of a Chief Executive Officer (1980)

Profile of a Woman Officer (1980)

Profile of a Black Executive (1979)

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Heidrick and Struggles

Findings of a survey of the chief executive officers of America's largest industrial and service organizations

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Review and Forecast

by Eugene E. Jennings, Ph.D.

To put our survey findings in perspective, Heidrick and Struggles commissioned Dr. Jennings to prepare these comments. Dr. Jennings, a professor of management in the graduate school of business administration at Michigan State University, is an author, lecturer, and confidential advisor to chairmen and presidents of leading corporations.

Is World-Class Leadership Returning?

It will come as no surprise that Lee Iacocca was voted in this survey of CEOs as America's most effective executive, and his many admirers may wonder why only 46 percent gave him their accolade.

Less frequently mentioned but still of high distinction were John Opel of IBM and Walter Wriston of Citicorp with 31 percent and 25 percent respectively. The top three are so far out in front of the pack that they merit close examination.

At first blush the trio appears to have little in common. Two of them conform to this survey's results in that they have been with their present company most if not all of their career. The exception is Lee. While MBAs appear to be as popular as ever, only one has it. While being an assertive corporate spokesman is advanced as an important duty of a chief, one of the three is indeed very laid-back.

In this survey, building competent management is next to increasing productivity as the most important chief executive job. Two have inherited competent management teams and Lee's team has taken the company out of intensive care but has yet to prove that a solid company can be built.

While the typical corporate chief has held his post almost 7 years, one has been in the job twice as long and one has been in less than half the average time.

Each management style is different with one being "hands on" and very consultative. While two have had their share of corporate disappointments, one was fired from his first (and until then only) employer of 34 years.

As this survey might predict, all three work more than 60 hours a week, travel at least once a week, and take short, short, more frequent vacations. But surely this similarity of work habits is not what distinguishes these three as America's leading CEOs. Neither is how they did what they did or at what kind of company. The key is *what* they did. These three chiefs have moved their companies at high speed with considerable risk.

Fifteen years ago, Citicorp beat Chase to Europe and now under Wriston is beating other banks to the national market. It owns savings and loan associations in California, Illinois and Florida; limited banks in South Dakota and Delaware; and industrial banks, already in five states.

IBM, the darling of Wall Street, has the longest tenure of earnings increases of any large business. It has done this not by getting into the market first, but usually by becoming a commanding presence when it does. Over 5 years ago, IBM had no personal computer department. Under Opel, it moved with lightning speed and today the department has over 15,000 employees and commands more than half of the market. And this is just one of the company's many new market lines.

Lee Iacocca has repositioned Chrysler to where its low break-even point is the envy of all automotive people.

The old-fashioned word we give to these efforts is "leadership": aggressively and opportunistically moving people and organizations to assure long-term viability. As we approach the mid-point of the decade, it is clear that what these three chiefs represent will stamp this period in business history. Perhaps we are seeing the return in America of world-class leadership.

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Price: $20

About This Study

The chief executive officers of America's leading business organizations face challenges without precedent in number and enormity. Despite awesome responsibilities and staggering workloads, these men and women remain convinced that theirs is the best of all positions.

Since 1962, Heidrick and Struggles has studied America's business leadership. This 1984 profile draws comparisons, where appropriate, between current findings and previous studies to make known trends of significance.

Our survey population constitutes the 500 largest industrials and 500 leading non-industrials on the FORTUNE list. Usable responses were received from 32 percent. Results are reported by type of company and size of industrial.

Heidrick and Struggles is extremely grateful to the CEOs who took the time and thought necessary to make the following findings possible.

About Heidrick and Struggles

As one of the most broadly experienced and highly regarded firms dedicated exclusively to executive and director search, Heidrick and Struggles provides access to leading executive markets in North America and Europe.

As its contribution to the body of knowledge available to senior management, the firm periodically publishes profiles of incumbents in key management positions.

Heidrick and Struggles is pleased to add this publication to others published by the firm to report trends of significance. A complete list of publications appears on the inside back cover.

Profile of a Chief Executive Officer

A statistical composite of the typical CEO of one of the nation's largest business organizations

The Position

Title:
Chairman and chief executive officer

Compensation:
$473,500 salary and bonus
Stock options
Automobile, extra life insurance, town club, country club, D&O liability insurance

Workload:
Hours in average week, 60 or more
Corporate directorships, 3.26
Insufficient time with family, outside interests

Changing role of the CEO:
Last five years: interface with government, importance of public opinion, personal involvement in strategic planning
Next five years: spokesperson for business and organization, proactive in public policy, continuing involvement in strategic planning

The Person

Age:
56.64

Marital status:
Married to first spouse

Religion:
Protestant

Education:
Advanced degree

Career path:
Route to the top, Sales/marketing
Number of employers, 2.42
Number of geographic locations, no more than two
Years with present company, 23
Years as CEO of present company, 6.9
Immediate previous position, COO of present company

Ranking of priorities:
Family first, followed by work, country, and community

View on improving competitiveness of American business:
Improve productivity, develop more competent management

Choice of most effective CEOs in America today:
Lee A. Iacocca of Chrysler,
John R. Opel of IBM,
Walter B. Wriston of Citicorp

Title

The chairman title, alone or combined with that of president, now represents 7 of 10 chief executive officers, up from 65 percent four years ago. The chairman-CEO is most likely to be found at the premier-size industrials. Use of the president title alone has declined from 36 percent in 1977 and 34 percent in 1980 to the current 28 percent.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
Chairman	50.4%	52.1%	63.6%	24.3%	57.7%	48.6%
Chairman and President	20.3	22.2	20.0	42.4	11.5	18.5
President	28.0	25.0	16.4	33.3	28.9	30.8
Other	1.3	0.7	—	—	1.9	2.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Years in Present Post

The typical chief executive has held his post at his present company for 6.97 years, down from the average of 7.9 years posted in 1980. Non-industrial tenure (7.03 years) exceeds by a small margin that of industrials (6.92). Shortest of all is the service of CEOs at the largest companies, which averages 6.02 years. Although almost a quarter of the executives (23.2 percent) have chalked up more than a decade of incumbency, nearly as many (18.3 percent) have recorded just a year or less.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
1 or less	18.3%	17.9%	15.0%	32.4%	13.2%	18.5%
2–3	19.8	22.9	23.3	17.7	25.0	16.7
4–5	17.3	14.8	25.0	8.8	8.8	19.9
6–10	21.4	19.1	18.3	17.6	20.6	23.7
11–15	11.9	13.6	11.7	8.8	17.7	10.3
16 or more	11.3	11.7	6.7	14.7	14.7	10.9
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	6.97	6.92	6.02	6.24	8.06	7.03

Immediate Previous Position

Three-quarters of the CEOs moved up to the CEO post from the COO responsibility in their present company. In all, 20 percent were recruited from outside, with roughly half of that group having served as CEO of another company.

The "other" category includes partners of law firms and government officials.

The typical CEO spent 4.96 years in his immediate previous position, although 13.1 percent spent one year or less, and another 18.2 percent spent just 2 years.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
COO of present company	75.3%	80.4%	83.1%	78.4%	79.4%	70.1%
CEO of another company	9.4	6.3	2.1	4.3	10.3	12.6
COO of another company	4.3	4.7	2.1	8.7	5.2	4.0
Other post, present company	4.7	4.7	8.5	4.3	1.7	4.7
Other post, another company	3.9	2.3	2.1	4.3	1.7	5.5
Other	2.4	1.6	2.1	—	1.7	3.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Compensation

The average cash compensation (salary and bonus) of a FORTUNE CEO is $473,500. However, the mean for industrials ($513,000) is considerably higher than that for non-industrials ($432,300). As would be expected, compensation correlates with size of organization, ranging from a typical $663,800 at the premier industrials to $391,200 at the smallest, under-a-billion dollar firms.

Three percent of the CEOs earned at least a million dollars last year.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
Under $250,000	8.5%	3.8%	—	2.9%	7.6%	13.4%
$250–299,000	9.5	5.7	3.6%	2.9	9.1	13.4
$300–349,000	14.0	13.5	1.8	14.7	22.7	14.7
$350–399,000	7.9	8.3	1.8	20.6	7.6	7.4
$400–449,000	15.1	21.2	12.5	8.8	34.8	8.7
$450–499,000	7.9	7.7	5.4	11.8	7.6	8.1
$500–599,000	12.1	12.2	16.0	17.7	6.1	12.1
$600–699,000	9.5	7.1	8.9	11.8	3.0	12.1
$700–999,000	12.5	16.7	44.6	2.9	—	8.1
$1,000,000 or more	3.0	3.8	5.4	5.9	1.5	2.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	$473,500	$513,000	$663,800	$501,000	$391,200	$432,300

Perquisites

An automobile, stock options, extra life insurance, town and country club memberships, and D&O liability insurance rank as the most prevalent perks for chief executives. The biggest increases in incidence since 1980 have been posted by financial counseling and deferred compensation. A stock purchase plan and financial counseling are more often components of the compensation package for heads of the largest industrials.

	All Companies		*All Industrials*	*Industrials by Size*			*All Non-Industrials*
	1984	*1980*		$2 bil or more	$1–1.9 bil	$999 mm or less	
Automobile	75.5%	*69.2%*	67.7%	57.6%	72.7%	73.9%	83.4%
Stock options	74.2	*68.8*	85.7	86.4	84.8	85.5	62.4
Extra life insurance	67.9	*54.0*	69.6	71.2	63.6	71.0	66.2
Town club membership	67.9	*NA*	62.1	64.4	60.6	60.9	73.9
D&O liability insurance	57.2	*NA*	55.3	54.2	63.6	52.2	59.2
Country club membership	54.7	*NA*	49.1	55.9	51.5	42.0	60.5
Deferred compensation	48.4	*33.6*	46.6	49.2	39.4	47.8	50.3
Financial counseling	43.7	*28.3*	50.9	61.0	45.5	44.9	36.3
Stock purchase plan	35.8	*29.6*	34.8	42.4	24.2	33.3	36.9
Management contract	26.4	*24.3*	31.1	22.0	36.4	36.2	21.7
Performance shares	26.1	*21.3*	31.1	37.3	33.3	24.6	21.0
Low-cost loans	7.5	*4.5*	6.8	5.1	12.1	5.8	8.3

Personal

Age

The mean age of CEOs at leading companies remains at 56 and a fraction, as it has since 1977. The largest organizations have the oldest CEOs, and those at industrials on average are nearly 2 years senior to their non-industrial counterparts. The largest proportion of CEOs is in the 60–64 age bracket.

Marital Status

The overwhelming majority of CEOs (81.3 percent) remains in the "married to first spouse" category. The number of those under 55 who have undergone a divorce is 16.5 percent, compared with 11.9 percent of the 55-and-older group.

Religion

Protestants remain by far the largest proportion of chief executives, although the percentage has slipped 3 points since 1980 and Catholics now represent nearly one of every 5 CEOs. In the executive suite, Protestants exceed the proportion of adults in the population at large expressing a preference for Protestantism (73 versus 60 percent) as do those of Jewish faith (5 versus 2 percent). Catholics are underrepresented in the CEO position.

Highest Educational Attainment

Since 1980, the proportion of CEOs lacking degrees has dropped to 8 percent from 11. MBAs are more frequently found in industrial executive suites, and the JD is more prevalent among the non-industrials. CEOs under 55 are almost 3 times as likely to have MBAs as are their more senior peers.

Harvard maintains its substantial lead among schools from which CEOs have earned degrees.

Age	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
Under 50	13.1%	11.0%	5.3%	18.2%	12.3%	15.3%
50–54	20.6	16.8	15.8	27.3	12.3	24.7
55–59	29.5	29.0	28.0	24.2	32.3	30.0
60–64	30.2	34.8	43.9	24.2	32.3	25.3
65 and over	6.6	8.4	7.0	6.1	10.8	4.7
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	56.64	57.48	58.28	55.52	57.78	55.77
Religion						
Protestant	72.8%	72.2%	76.3%	64.7%	72.5%	72.2%
Roman Catholic	19.1	17.3	16.9	20.6	15.9	17.3
Jewish	5.0	6.2	3.4	8.8	7.2	6.2
Other or none	3.1	4.3	3.4	5.9	4.4	4.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Highest Educational Attainment						
Not degreed	8.1%	8.5%	8.3%	5.9%	10.1%	7.5%
Bachelor's degree	44.9	48.5	41.7	44.1	56.5	41.1
MBA	19.3	22.1	30.0	23.5	14.5	16.5
JD	14.0	7.4	5.0	8.8	8.7	20.9
Other advanced degree	13.7	13.5	15.0	17.7	10.2	14.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Years With Present Company

The typical chief executive has been with his present company for 23 years. The average tenure of those in the largest companies exceeds a quarter century. At the same time, one in 10 CEOs has been in place 5 years or less, but a greater number (14.8 percent) have chalked up 36 or more years of service.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
5 or fewer	9.7%	8.0%	6.7%	5.9%	10.3%	11.6%
6-10	8.5	7.4	8.3	2.9	8.8	9.6
11-15	11.9	13.6	10.0	11.8	17.7	10.3
16-20	11.0	12.4	6.7	14.7	16.2	9.6
21-25	12.9	11.1	11.6	14.7	8.8	14.7
26-30	16.7	15.4	21.7	17.65	8.8	17.9
31-35	14.5	13.6	15.0	17.65	10.3	15.4
36 or more	14.8	18.5	20.0	14.7	19.1	10.9
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	23.07	23.96	25.33	24.53	22.46	22.15

Number of Employers

The typical chief executive has had fewer than 3 full-time employers, excluding the military. Mobility increases as company size declines. The mean number of full-time employers for all CEOs in 1977 was 2.5.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
1	30.5%	29.5%	35.6%	27.2%	25.3%	31.7%
2	27.1	25.2	28.8	21.2	23.9	29.0
3	23.9	24.5	20.3	36.4	22.4	23.2
4	13.1	14.5	10.2	9.1	20.9	11.6
5 or more	5.4	6.3	5.1	6.1	7.5	4.5
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	2.42	2.48	2.27	2.48	2.67	2.35

Route to the Top

As has been true in prior studies, sales/marketing constitutes the primary functional area of experience of most CEOs. Finance/accounting remains in the runner-up position. Non-industrial chieftains are more frequently out of legal and less often products of manufacturing/operations and engineering/research.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Sales/Marketing	31.2%	28.6%	31.1%	33.4%	23.8%	34.1%
Finance/Accounting	25.4	20.1	20.7	24.2	17.5	31.2
Manufacturing/Operations	21.2	31.2	29.3	27.3	34.9	10.1
Engineering/Research	11.6	14.3	12.1	12.1	17.5	8.7
Legal	8.2	4.0	1.7	3.0	6.3	13.0
All Other	2.4	1.8	5.1	—	—	2.9
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Number of Geographic Relocations

About one in 5 CEOs has never undergone a geographic relocation. However, nearly half of the corporate heads (47.5 percent) have done so three or more times. Those who consider work as their top priority have done so more frequently than those who place other considerations first. In fact, only 12 percent of the "work first" group have never moved to a new location.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
Never	21.7%	12.4%	8.4%	5.9%	19.1%	31.2%
Once	13.2	9.3	11.9	11.8	5.9	17.2
Twice	17.6	19.2	16.9	23.5	19.1	15.9
Three times	12.0	10.6	11.9	11.8	8.8	13.4
Four times	11.0	13.7	15.3	8.8	14.7	8.3
Five times	6.9	9.3	11.9	14.7	4.4	4.5
Six times	5.0	8.1	5.1	14.7	7.4	1.9
Seven or more	12.6	17.4	18.6	8.8	20.6	7.6
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Workweek Hours

The top job is demanding more time. Just 4 years ago, only 44 percent of survey participants reported spending as many as 60 hours weekly at work. Now, 60 percent devote that much time, excluding commuting but including business entertainment and travel. In the current study, the proportion spending fewer than 50 hours has been halved.

An enormous variation exists by size of company. For example, nearly 22 percent of the premier company CEOs devote 70 or more hours; only 2.9 percent of the chiefs at under-a-billion firms do. New CEOs (in office 5 years or less) are about twice as likely to put in a 70 hour week.

Surprisingly, 18 percent of the CEOs note that they have more discretionary time now than before assuming the top job. About 22 percent have the same amount of time and six out of 10 have less time. The larger the organization, the more likely is the CEO to have less time now.

Four of 10 CEOs travel one day a week or less. Nearly half of the survey respondents travel 2 days a week and just 11 percent are away 3 days or more.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
Fewer than 50	3.1%	3.0%	1.6%	—	5.7%	3.1%
50–59	37.2	40.5	30.0	44.1%	47.8	33.8
60–69	46.0	44.2	46.7	41.2	43.5	47.8
70 or more	13.7	12.3	21.7	14.7	2.9	15.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Weeks of Vacation Within Last 12 Months

Despite their heavy time commitment to their work, the CEOs do manage to get breaks which averaged 2.9 weeks in the last 12 months. A third take 4 or more weeks of vacation, although 13 percent restrict themselves to one week or less. In 1977, the mean vacation time for all CEOs was 3.6 weeks.

On average, the survey participants report a two-week period as the longest single span of vacation time in the past 5 years, although 7 percent have taken a vacation block of at least 25 days.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
Less than 1	4.1%	3.7%	1.6%	5.9%	4.3%	4.4%
1	8.5	9.8	5.0	11.8%	13.0	7.1
2	23.8	25.2	35.0	23.5	17.5	22.4
3	30.1	29.4	21.7	23.5	39.1	30.8
4 or more	33.5	31.9	36.7	35.3	26.1	35.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	2.94	2.88	2.97	2.82	2.83	3.01

Number of Directorships

The chief executives hold on average 3.26 board seats, including their own company. However, 15 percent have no more than one. Non-industrial executives are most frequently directors, as are heads of the largest industrial companies. The mean number of directorships of all CEOs in 1977 was 3.43.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
None	4.1%	6.8%	5.0%	9.0%	7.4%	1.3%
1	10.7	14.3	10.0	18.2	16.2	7.1
2	21.2	19.3	23.4	15.2	17.6	23.0
3	27.8	29.8	25.0	27.3	35.3	25.6
4	17.0	16.8	18.3	18.2	14.7	17.3
5	13.2	9.9	15.0	12.1	4.4	16.7
6 or more	6.0	3.1	3.3	—	4.4	9.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	3.26	2.78	3.00	2.64	2.65	3.76

Making Views Known on Public Policy Issues

Almost 6 out of 10 chief executives believe they should make their views on major public policy issues known to their organization's constituencies, including employees, stockholders, customers and suppliers. Nearly all (97.3 percent) of those who believe they should make their views known actually do so.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
Yes	58.3%	62.6%	71.7%	50.0%	60.9%	53.8%
No	28.3	23.9	18.3	29.4%	26.1	32.9
Not sure	13.4	13.5	10.0	20.6	13.0	13.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Sufficiency of Time

With Family

Almost two-thirds of the CEOs claim that the demands of their work permit them to spend insufficient time with their families. This complaint is most prevalent among leaders at the largest companies and those who rank work first among their priorities.

For Outside Interests

The survey participants are even less likely to feel they have sufficient time for their outside interests, with about 7 out of 10 feeling they are being short changed. Once again, the complaint is most prevalent among CEOs of premier companies and those who hold work uppermost.

Sufficient Time with Family	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
Yes	35.8%	36.0%	28.8%	41.2%	39.7%	35.7%
No	64.2	64.0	71.2	58.8%	60.3	64.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sufficient Time for Outside Interests						
Yes	30.2%	28.6%	23.7%	39.4%	27.4%	31.8%
No	69.8	71.4	76.3	60.6%	72.6	68.2
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Priorities

Cumulative scores for CEO priorities were amassed by counting 6 for each first place vote, through one point for each sixth place vote. The higher the score, the more important the priority.

Sixty-seven percent of the CEOs ranked their families as their first priority, and 26 percent named their work. "Country" garnered 4 percent of the top priority vote, and "religion" 3 percent. "Community" and "personal pursuits" got no first-place mentions.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
Family	1,650	824	305	170	349	826
Work	1,489	744	264	169	311	745
Country	827	422	157	88	177	405
Community	691	327	119	72	136	364
Personal Pursuits	680	368	121	88	159	312
Religion	589	289	110	60	119	300

CEOs In General Enjoy Work More Than Others

Today's CEOs are even more likely (82.1 percent) to believe that CEOs in general enjoy their work more than executives at other levels.

Four years ago 80.5 percent subscribed to that. However, only 77.8 percent of the current survey population believes that their own work as CEO is personally more satisfying than any other period in their careers.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
Yes	82.1%	82.8%	81.7%	88.2%	81.2%	81.5%
No	6.6	3.7	5.0	—	4.3	9.6
Not sure	11.3	13.5	13.3	11.8	14.5	8.9
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Time of Retirement

A third of the CEOs intend to retire before reaching age 65, although the largest proportion (about 4 in 10) plan to depart their jobs upon reaching the 65th milestone. About 13 percent have not finalized retirement plans. Eleven percent of those who place work first plan retirement for age 70 or later, in contrast to 5 percent of those who deem other considerations more important.

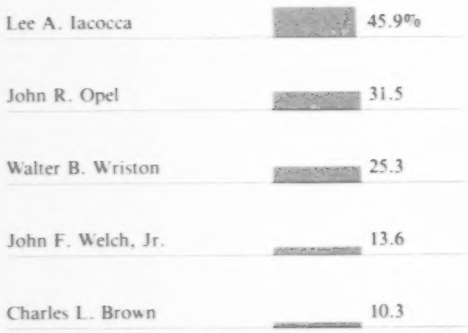
	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1–1.9 bil	$999 mm or less	
Before age 65	33.4%	34.3%	36.7%	38.3%	30.5%	32.5%
At age 65	39.4	40.5	45.0	35.3	39.2	38.2
Between 65 and 70	7.5	7.4	10.0	2.9	7.2	7.7
At age 70	2.5	2.5	—	2.9	4.3	2.5
After age 70	4.4	6.7	3.3	2.9	11.6	1.9
Don't know	12.8	8.6	5.0	17.7	7.2	17.2
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Most Effective CEOs

Lee Iacocca of Chrysler Corporation was named by 46 percent of the survey participants selecting America's three most effective CEOs today.

Others specified most frequently were John Opel of IBM, Walter Wriston of Citicorp, John Welch of General Electric, and Charles Brown of AT&T.

All Companies



Results do not add to 100 percent due to multiple responses

Measures to Improve American Competitiveness

Improving productivity in the American workplace was cited by the largest proportion of CEOs as the most important of 4 proposed measures to improve the competitiveness of American business in world markets. Developing more competent management ranked next. The cumulative score includes 4 points for a first place vote and one point for a fourth place mention.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Improve productivity in American workplace	1,010	506	189	99	218	504
Develop more competent management	813	422	145	80	197	391
Instill greater cooperation between American business and government	789	394	156	72	166	395
Strengthen trade restrictions on foreign competitors	238	126	43	23	60	112

Changing Role—Last Five Years

A growing interface with government is mentioned most frequently by CEOs as the way in which the role of that office has changed over the last five years. The importance of public opinion, requiring interaction with various external constituencies, ranks second. In third place is the CEO's greater concern with strategic planning.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Interface with government	29.0%	28.7%	42.1%	21.1%	20.5%	29.3%
Importance of public opinion	24.0	18.8	21.1	15.8	18.2	29.3
Involvement in strategic planning	17.0	18.8	18.4	21.1	18.2	15.2

Results do not add to 100 percent due to multiple responses

Changing Role—Next Five Years

Over the next five years, participants most often mention the need for the CEO to serve as spokesperson for his organization and for business in the arena of public opinion. A proactive stance in the formulation of public policy ranks next. Greater personal involvement in strategic planning follows. Other considerations mentioned most often are concern with foreign competition and the need to utilize effectively greater amounts of information.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	$999 mm or less	
Spokesperson for business and organization	26.4%	21.5%	29.4%	—	25.0%	31.5%
Proactivity in public policy	22.0	18.3	29.4	21.1%	7.5	25.8
Involvement in strategic planning	15.4	18.3	14.7	21.1	20.0	12.4
Concern with foreign competition	12.6	14.0	8.8	21.1	15.0	11.2
Utilization of more information	11.0	11.8	11.8	26.3	5.0	10.1

Results do not add to 100 percent due to multiple responses

Comments from CEOs on the Last Five Years...

"American CEOs are by training, culture, and history not prepared to lead a retrenchment, yet for three of the last five years most have had to do this. It was a new and difficult role for most of us to play."
—Chairman/president, multi-billion-dollar Southwest industrial

"Most CEOs find it more important and desirable to be more personally involved in the strategic planning and more directly involved with the business units management team, providing more strategic issues resolution emphasis but not interfering in daily operations."
—Chairman of a multi-billion-dollar Eastern industrial

"The impact of a world market has forced the CEO to be knowledgeable of and skilled in international business. This has required major philosophical as well as organizational changes."
—President of a billion-dollar Midwest industrial

"The computer is challenging notions of control and communication."
—President of a multi-billion-dollar Eastern industrial

"With the trend to unfriendly takeovers, much more pressure on the CEO to produce satisfactory results."
—Chairman of a billion-dollar Midwest industrial

"The role of the CEO now requires more direct employee communication and direction in a more participative way to instill understanding and trust between employees and management. People-oriented policies must come from the top."
—President of a less-than-a-billion-dollar Eastern industrial

"The corporate world is a jungle today. One must have physical stamina in addition to an alert mind."
—Chairman of a billion-dollar Eastern industrial

"All traditional management concepts are being rethought (or should be) by the CEO."
—President of a billion-dollar Western industrial

"More participative, more professional, less emotion."
—Midwest-based Chairman of a non-industrial

"Not as much fun."
—President of a Midwest-based, under-a-billion-dollar industrial

Comments from CEOs on the Next Five Years...

"Much more difficult to take markets and customers for granted as there have been significant structural changes in industry. Marketing strategy will be of primary importance."
—President of a billion-dollar Midwest industrial

"Business must assume a more proactive role in politics and regulatory-legislative issues. CEOs will have to assume the lead role since staff people are not accepted as valid sources of comment on issues of public policy."
—Chairman of an Eastern non-industrial

"More of a public role. More media exposure. More tendency to be fired for failure, whether for incompetence or bad timing or bad luck. A less secure job."
—Chairman of a multi-billion-dollar Eastern industrial

"The CEO will need to be better informed, provide for greater emphasis on new technology and new processes, and take more decisive action on replacement of facilities and equipment."
—Chairman and President of a billion-dollar Midwest industrial

"Must learn to live and operate effectively in a climate of fewer, larger companies competing for the available business."
—Chairman of a Southwestern industrial

"Will have to become a better manager of change. This means an increased reliance on other people and some computerized management system for doing more 'what if' type of games playing."
—Chairman of a Midwest non-industrial

"Management of human resources will be perceived as a key opportunity for competitive edge."
—Chairman/president, multi-billion-dollar Eastern industrial

"Increased pressure for continued productivity gains and maintenance of technological leadership."
—Chairman of a Midwest non-industrial

"CEOs will be more concerned about long-term performance of their company and pay less attention to quarter-to-quarter earnings. Concentration will be more on ROE than growth."
—President of a Western non-industrial

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FOR RELEASE IN THE A.M.s
OF TUESDAY, MAY 1, 1984

TYPICAL CEO INSISTS JOB IS TOPS DESPITE 60+ HOUR WORKWEEKS

The typical chief executive of a major business organization holds the title of chairman, earns cash compensation (base salary and bonus) of $473,500, devotes 60 or more hours to business weekly, and feels he has insufficient time to spend with his family and on his outside interests.

These are among findings of a survey of individuals heading America's 500 largest industrials and 500 leading non-industrial organizations. A total of 321 executives participated in the study, which was conducted by the international executive search firm of Heidrick and Struggles.

"Despite awesome responsibilities and staggering workloads, these men and women remain convinced that theirs is the best of all positions," noted David R. Peasback, president and chief executive officer of Heidrick and Struggles. The survey revealed that more than eight of 10 participants (82 percent) believe that CEOs in general enjoy their work more than executives at other levels.

In addition to cash, the CEO on average receives stock options, extra life insurance, an automobile, and town and country club memberships, the study showed.

more

HEIDRICK AND STRUGGLES--add one

The chief executive typically has been with his present company for 23 years. However, 10 percent of the group has tenure of five years or less. During the course of his entire career, the CEO has had only 2.4 employers. Three-quarters of the respondents advanced to the chief executive slot from the chief operating officer post at their present company. One in 20 held another position in the company, and one in five CEOs was recruited from another organization.

"Sales/marketing continues to rank as the favorite route to the chief executive's office," Peasback noted. More than three out of 10 (31 percent) of today's CEOs rose via sales/ marketing, up from 28 percent just four years ago when Heidrick and Struggles conducted a similar survey. Finance/accounting stands in second place among functional stepping stones, with one out of four of current CEOs having spent most of their careers in that area.

Peasback concluded that the typical CEO is 57 years of age, married to his first spouse, a Protestant, and holder of an advanced degree. "Although the MBA remains the most popular advanced degree, the J.D. now represents 14 percent of the corporate chieftains compared with just 9 percent four years ago," Peasback said. He noted that CEOs felt interface with government "was the most significant way the role of the chief executive had changed over the last five years."

Copies of Profile of a Chief Executive Officer are available for $20 from Heidrick and Struggles, 125 South Wacker Drive, Chicago, IL 60606.

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Heidrick and Struggles
Consultants in Executive Search

Publications

The firm's original research on trends in management, which has been conducted since 1962, is shared with the business community at large.

A list of recent Heidrick and Struggles publications appears here. Copies are available upon request to our Chicago office.

The Changing Board (1984) $20
A survey of chairmen concerning boards of directors

Director Data (1982) $10
A report on outside directors and their board companies

Profile of a Chief Executive Officer (1984) $20

Mobile Manager (1982) $5

Research and Development (1982) $10

Profile of a Chief Financial Officer (1981)

Profile of a Chief International Officer (1981)

Profile of a Bank and Bank Holding Company Chief Executive Officer (1980)

Profile of a Woman Officer (1980)

Profile of a Black Executive (1979)

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